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## Indonesia

### Grain and Feed

### Rice Update

**2006**

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**Report Highlights:**

After 2 months of arguments and controversy, the GoI has decided to extend the rice import ban up to end of the year. Still, there are continuing arguments between MoA, National Logistics Agency, analysts and farmers groups and associations.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Jakarta [ID1]  
[ID]

## Indonesia Recent Rice Situation

In spite of the controversy and arguments of the rice import issue, in the coordination meeting of several ministries and National Logistics Agency (Bulog), the GoI decided to extend the rice import ban up to the end of the year, Minister of Trade Decree No.: 649/M-DAG/7/2006, dated 21 July 2006. Beside the import ban extension, GoI will give compensation to the farmers who suffer from drought.

Disregarding the facts of drought and flood in several areas in Indonesia, MoA continues to believe that rice imports will not be needed throughout 2006. Central Statistic Bureau (BPS) estimated there would be 54.7 million tons of paddies, which is equal to 34.6 million tons of rice. According to BPS, growing area will reach 11.87 million hectares from 11.84 million hectares last year. With all these predictions combined with other factors, MoA estimated that at the end of the year, Indonesia's rice surplus will amount to 109,000 tons, as long as there is no force majeure or natural disaster. In any event, it is unlikely that production, consumption and stocks can be measured to this level of accuracy (0.2 percent of production, or a little less than one day's worth of consumption).

The MoA on many occasions has announced that the drought impacts are spreading and expanding. Additionally, the Meteorology and Geophysics Board (BMG) has predicted the severe dry season will continue until December, with the peak in August.

BMG predicted the drought in Java could be worse than last year, estimated to impact more than 100,000 hectares, especially the area of Java northern coast line. In Central Java alone, 11 areas are suffering from drought, meanwhile in West Java 18 areas. Sumatera and Nusa Tenggara are suffering the same serious drought. Around 50,000 hectares have apparently already been abandoned in West Nusa Tenggara. In January to June 2006, ten provinces have been suffering from drought (Aceh, South Sulawesi, West Java, North Sumatra, Central Java, Lampung, East Nusa Tenggara, Banten and West Sumatra).

The National Logistics Agency (Bulog) is experiencing difficulties purchasing rice. Farmers are reluctant to sell their paddy rice to Bulog due to the lower price compared to current market price. The market price at this moment is Rp. 3,750/kg meanwhile Bulog price is only Rp. 1,730/kg.

The high price of rice, and implicit import requirements will likely mean continued controversy and probably GoI review of this situation in the next few months. Outside of the MoA, there are few analysts or officials involved who find the analytics for the import ban extension compelling.

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